

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6426**

**BILL NUMBER:** HB 1120

**NOTE PREPARED:** Dec 8, 2003

**BILL AMENDED:**

**SUBJECT:** Energy Assistance Contingency Fund.

**FIRST AUTHOR:** Rep. Klinker

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill creates the Energy Assistance Contingency Fund to be used for low-income home energy assistance and efficiency measures. The bill appropriates heating fuel Sales Tax revenue to the Fund. The bill provides that the Division of Family and Children shall administer the Fund.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** *Department of State Revenue:* The bill would require a number of changes related to the collection and administration of the Sales Tax on natural gas and heating oil. Currently, aside from the Sales Tax collected on certain motor fuels, Sales Tax revenue is not directly identifiable by the type of product sold. As such, the bill would require the Department to make administrative changes necessary to track and separate collections from the sale of natural gas and heating oil from other Sales Tax revenue. It is presumed that the Department could make these changes using existing staff and resources.

*Division of Family and Children:* The Home and Community Services Section within the Division of Family and Children would be responsible for the administration and distribution of any funds collected in the Energy Assistance Contingency Fund. While this bill will increase the funds distributed by the Division to organizations that serve and make grants to eligible low-income households, it is not expected to have a significant impact on the Division. Additionally, the bill provides that a percentage of the appropriation may be used for administrative costs. (See *Explanation of State Revenues*).

**Explanation of State Revenues:** *General Fund Revenue:* The bill changes the distribution of the Sales Tax collected from residential and commercial sales of heating oil and natural gas. Beginning in FY 2005,

incremental collections of the General Fund portion of Sales Tax revenue from the sale of the affected heating fuels above a baseline amount will be appropriated to the Energy Assistance Contingency Fund. **This transfer is estimated to reduce General Fund revenue by \$10.9 M in FY 2005 and \$13.6 M in FY 2006.**

The increment is calculated based on the fiscal year collections above the average yearly Sales Tax revenue collected on heating fuel sales from FY 2001 to FY 2003, multiplied by 49.192%. Based on data from the U.S. Energy Assistance Agency, it is estimated that this baseline amount will equal \$60.4 M. Under current law, 49.192% of all Sales Tax revenue collected from the affected sales would be deposited in the state General Fund as the collections are received. Under this bill, 49.192% of the Sales Tax collections from sales of heating fuels would instead be deposited with the Auditor of State. The Auditor would then transfer revenue in excess of the \$60.4 M base to the Energy Assistance Contingency Fund on or before the end of each fiscal year. The remaining \$60.4 M base would be transferred to the state General Fund on July 1 of the following fiscal year. This proposal will result in a shift of \$60.4 M in General Fund revenue that would have otherwise been deposited in the state General Fund during FY 2005 to instead be deposited in FY 2006. Similarly, General Fund collections received during FY 2006 would actually be deposited in the General Fund in FY 2007, etc.

*Background Information:* Based on consumption data and price projections from federal sources, it is estimated that the Sales Tax on commercial and residential sales of the affected heating fuels will generate approximately \$144.9 M in FY 2005 and \$150.3 M in FY 2006 in total Sales Tax revenue. Under current law, all revenue from the Sales Tax on heating fuels is distributed, upon receipt, to the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%). Under this bill, the Department of State Revenue is instead required to transfer 49.192% of the Sales Tax collected on the affected fuel sales to the Auditor of State. The Auditor would then transfer revenue in excess of the \$60.4 M base to the Energy Assistance Contingency Fund on or before the end of each fiscal year. The remaining \$60.4 M base amount would be transferred to the state General Fund on July 1 of the proceeding fiscal year.

In FY 2005 and FY 2006, 49.192% of the Sales Tax collected from the specified heating fuels is estimated to be \$71.3 M and \$73.9 M, respectively. Since this portion of the Sales Tax on residential and commercial sales on heating fuels is estimated to generate approximately \$71.3 M in FY 2005, approximately \$10.9 M ( $\$71.3 \text{ M} - \$60.4 \text{ M} = \$10.9 \text{ M}$ ) would be shifted from the state General Fund to the Energy Assistance Contingency Fund. Other funds receiving Sales Tax revenue would not be affected.

*Administration of the Energy Assistance Contingency Fund:* This provision would make available approximately \$10.9M in FY 2005 and \$13.6 M in FY 2006 for energy assistance programs to households at or below 200% of the federal poverty level through the Energy Assistance Contingency Fund. The Division of Family and Children estimates that there are approximately 635,000 households in Indiana that would be eligible to receive assistance through programs funded, in part, by the Energy Assistance Contingency Fund. Twenty-five percent of the revenue in the Fund would be used to fund home energy efficiency measures and 75% would be used for low-income energy assistance. The Division, or a grantee responsible for administering the program, may use a portion of the Fund to cover administrative costs.

The Energy Assistance Program is administered by the Housing and Community Services Section of the Division of Family and Children. The Energy Assistance Program is currently funded by the Low-Income Home Energy Assistance Program (LIHEAP) federal block grant and funds appropriated from the state Oil Overcharge accounts. In 2002, the program provided heating assistance to 117,000 households at or below 125% of the federal poverty level. Additionally, 24,000 households received assistance with cooling costs,

and 1,865 dwellings received weatherization assistance.

*Background information (Natural Gas and Heating Oil):* Future Sales Tax collections on the sale of natural gas and heating oil are contingent upon a number of highly variable factors, including the weather and fuel prices. The analysis used consumption information and price and usage projections supplied by the U.S. Department of Energy, Energy Information Agency (EIA), to estimate past and future Sales Tax collections.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Housing and Community Services Section, Division of Family and Children; Auditor of State.

**Local Agencies Affected:**

**Information Sources:** Department of State Revenue; Housing and Community Services Section- Division of Family and Children; U.S. Census Bureau; U.S. Department of Energy, Energy Information Agency.

**Fiscal Analyst:** John Parkey, 317-232-9854.